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No. 85-.....

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

SMITH INTERNATIONAL, INC.,

Petitioner,

v.

HUGHES TOOL COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

1. Is it consistent with the public interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct to hold that the doctrine of law of the case bars consideration of evidence that a patent was obtained by fraud on the Patent Office?

2. If an appellate court reverses a decision of a district court holding a patent invalid on three grounds, does the appellate court by necessary implication reject a fourth possible ground of invalidity, though the appellate court never mentions that ground and the district court had made no conclusion on it?

3. Does Rule 60(b) of the Federal Rules of Civil Procedure, contrary to its express terms and contrary to the Advisory Committee's guidelines, apply to "interlocutory" as well as "final" orders?

PARTIES TO THE PROCEEDING

The party Smith International, Inc. has the following affiliates, other than wholly-owned subsidiaries: Alasi, S.A. de C.V., Mexico; Smith International Arabia, Saudi Arabia; Barrenas de Mexico, Mexico; Bosi, S.A. de C.V., Mexico; Smith Brocas, C.A., Venezuela; Drilling Tools Services Sdn. Bhd., Singapore; Smith International Gulf Services Limited, (Dubai); Smith International Sdn. Bhd., Malaysia; McEvoy Egyptian Equipment Company, Egypt; Servicios y Manufacturas Industriales Talara, S.A., Peru; Sidem, S.A., Mexico; SRI Timor Oilfield Supplies & Equipment, Malaysia; Syarikat Rajah Sendirian Berhad, Brunei; and Zasi, S.A., Mexico.

The party Hughes Tool Company has the following affiliates, other than wholly-owned subsidiaries: Hughes Tool Company, C.A., Venezuela; Hughes WKM do Brasil Equipamentos Industriais LTDA, Brazil; Alea Company, Limited, Nigeria; APSCO (Asia) Ptd. Limited, Singapore; Associated Petroleum Supply (Hong Kong) Limited; Brown-Foraid Oil Tools (U.A.E., Ltd., Bermuda; and Brown Oil Tools de France S.A.R.L., France.

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v.

HUGHES TOOL COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Smith International, Inc. respectfully prays that a writ of certiorari issue to review the judgment entered by the Court of Appeals for the Federal Circuit in consolidated Appeal Nos. 84-1094 and 84-1767.

OPINIONS BELOW

The decision of the Court of Appeals for the Federal Circuit of which review is sought is reported at 759 F.2d 1572. It is set out in the Appendix. (A. 1-16).[1] It affirmed two unpublished interlocutory decisions in 1984 by the District Court for the Central District of California, a memorandum by District Judge Lucas (A. 67-75) and an order from the bench by District Judge Hupp. (A. 76-82).

The following opinions in the courts below are also relevant: an unpublished final decision in 1979 by District Judge Firth of the Central District of California (A. 17-31); the reversal of that

[1] All reference to the Appendix will be by use of the letter "A." followed by a page number.

decision in 1982 by the Ninth Circuit, reported at 664 F.2d 1373 (A. 32-40) (hereinafter "*Hughes I*"); an unpublished interlocutory decision in 1982 by Judge Lucas (A. 41-48); and the reversal of that decision in 1983 by the Federal Circuit, reported at 718 F.2d 1573 (A. 49-66) (hereinafter "*Hughes II*").[2]

JURISDICTION

The judgment of the Federal Circuit is dated and was entered April 30, 1985. The jurisdiction of this Court is invoked under 28 U.S.C. §§ 1254(1) and 2101(c).

STATUTES AND RULES INVOLVED

The texts of 35 U.S.C. §§ 102, 103, 112, and 282 and of Rule 60(b) of the Federal Rule of Civil Procedure are set out in the Appendix. (A. 88-93).

STATEMENT OF THE CASE

The focus of the present petition is the Federal Circuit's reliance on the doctrine of law of the case as barring consideration of certain issues. To understand what the Federal Circuit did, a brief history of the litigation is necessary.

Proceedings Before the United States Patent and Trademark Office.

This case arises out of a patent held by Hughes on a sealing system for oil well drilling bits, Patent No. 3,397,928 (the " '928 patent"). (SA. 1-8).[3] During proceedings before the Patent Office Examiner, Hughes submitted two sets of *ex parte* affidavits. The first set of affidavits were executed by Fred H.

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[2] The designations "*Hughes I*" and "*Hughes II*" refer to prior interlocutory appellate decisions in this case. These designations are employed to emphasize that Hughes was the appellant in each of those prior appeals. The present petition is from the first appeal noticed by Smith in more than 10 years of litigation.

[3] The designation "SA" refers to the separately presented Supplemental Appendix authorized by Rule 33 for patent documents.

McElya, a Hughes design engineer, and by John Wilshire, a drilling rig operator. These affidavits failed to convince the Examiner to issue the patent. A second set was then submitted by Hughes executed by William A. Kistler, Jr., Hughes's Vice President of Manufacturing, and Edward M. Galle, the inventor. After the second set was submitted, the Patent Examiner issued the '928 patent.

1979 District Court Decision.

In 1979, Judge Firth entered a final decision holding the patent invalid under 35 U.S.C. §§ 102, 103, and 112. During trial, Smith introduced evidence concerning Hughes's *first* set of affidavits submitted to the Patent Examiner to establish that the patent was also invalid due to fraud. Judge Firth made fact findings that the presentation by Hughes of the *first* set of affidavits "did not, in some material respects, meet the applicant's uncompromising duty to make a full and fair disclosure of all facts which may affect patentability of his invention" (A. 25; Fact Finding Nos. 29-31), but refused to decide whether these fact findings amounted to fraud. (A. 30; SA 26; striking Smith's proposed Conclusion of Law No. 3).[4]

Hughes I: 1982 Ninth Circuit Decision.

Hughes appealed Judge Firth's decision holding the patent invalid under 35 U.S.C. §§ 102, 103, and 112 to the United States Court of Appeals for the Ninth Circuit. There being no decision adverse to Smith (such as one holding that the patent had not been procured by fraud), Smith did not cross-appeal.

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[4] The basis for federal jurisdiction in the United States District Court for the Central District of California was 28 USC § 1338. Judge Firth modified Smith's post-trial proposed findings of fact and conclusions of law by handwritten notations and adopted those findings and conclusions as modified. Pursuant to instructions from the Clerk of the Court, a retyped version of Judge Firth's findings and conclusions is presented in the Appendix at pages 17-31 and a photocopy of the marked original is presented in the Supplemental Appendix at pages 9-28.

At pages 44 and 45 of its 47-page responding brief to the Ninth Circuit, Smith had a one-and-a-half page section entitled "H. The Presumption of Validity is Dissipated in the Face of the Record Before This Court". In that section, Smith argued that the presumption of validity is dissipated if prior art was not brought to the attention of the Patent Office Examiner or if the Patent Office was misled about the true import of prior art references. This was followed by one sentence discussing possible invalidity due to fraud:

> While the district court did not hold the seal ('928) patent invalid on the basis of those findings (see CR 20, p. 17), it is submitted that this Court should do so on the separate ground of fraud on the Patent Office. *Monolith Portland Midwest Co.* v. *Kaiser Aluminum Chemical Corp.*, 407 F.2d 288, 294 (9th Cir. 1969).

The Ninth Circuit expressly reversed the District Court's conclusions that the '928 patent was invalid under 35 U.S.C. §§ 102, 103, and 112, but made no statement concerning possible invalidity due to fraud. (A. 38-40; 664 F.2d at 1376-77). The Ninth Circuit remanded the case for further proceedings on Hughes's claim for infringement without commenting on the merits of that claim. (A. 40; 664 F.2d at 1377). In its petition for rehearing of the Ninth Circuit's decision, Smith made no reference to fraud.

Hughes II: 1983 Federal Circuit Decision.

In December of 1982, District Judge Lucas (successor in this litigation to District Judge Firth) denied Hughes's request to enter a preliminary injunction, reasoning that the scope of infringement was too uncertain to justify imposition of injunctive relief. (A. 45-48). No arguments were made by either party concerning Smith's defenses of invalidity due to fraud.

Hughes appealed Judge Lucas's decision refusing to enter injunctive relief to the Federal Circuit. No arguments were

made by either party concerning invalidity due to fraud or unenforceability due to inequitable conduct.

The Federal Circuit reversed and remanded with instructions to enter a preliminary injunction enjoining Smith from infringing claim 1 of the patent, reasoning that because Smith had earlier admitted to some type of infringement, there was a basis for imposing injunctive relief. In the course of its opinion, the Federal Circuit briefly discussed the arguments under 35 U.S.C. §§ 102, 103, and 112 made to the Ninth Circuit in *Hughes I*, and concluded: "the validity of the Hughes patents has been adjudicated by a competent appellate court, which we *assume* considered all possible grounds for invalidating the patents, and yet it rejected them all." (A. 61; 718 F.2d at 1579) (emphasis supplied). The defense of fraud was not mentioned.

1984 District Cou t Decisions.

On remand from *Hughes II*, District Judge Lucas entered a preliminary injunction against infringement of claim 1 of the patent. Thereafter, Smith moved to dissolve the preliminary injunction due to Hughes's fraud and inequitable conduct[5] before the Patent Office Examiner, reciting Judge Firth's 1979 Fact Findings left undisturbed by the Ninth Circuit in *Hughes I* and new evidence not considered by Judge Firth regarding the

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[5] Smith has consistently taken the position that, as 35 U.S.C. § 282 shows, there is a distinction between invalidity and unenforceability of a patent and that fraud goes to the first and inequitable conduct to the second. Prior to the initial trial in the District Court, Judge Firth expressly deferred issues relating to infringement "to an accounting proceeding, if such proceeding takes place." Thus, the Ninth Circuit could not have made a determination about inequitable conduct and Smith could not now be barred by law of the case from attempting to show unenforceability on that ground. The Federal Circuit held to the contrary. (A. 10-11; 759 F.2d at 1577-1578). Although Smith believes the court below was wrong on this point, it does not press the point now.

first set of affidavits filed by Hughes. Judge Lucas, in an unpublished memorandum opinion dated April 4, 1984, refused to dissolve the preliminary injunction reasoning that validity of the patent had been established for all purposes by the Ninth Circuit in *Hughes I* and that upon application of Rule 60(b)(2) of the Federal Rules of Civil Procedure to the prior interlocutory decision of the Ninth Circuit, Smith's new evidence regarding the first affidavits was not "newly discovered." (A. 67-75). Smith noticed Appeal No. 84-1094 from this refusal to dissolve to the Federal Circuit. This was the first appeal taken by Smith during the litigation.

In the summer of 1984, during further discovery on the infringement issue and during the pendency of Appeal No. 84-1094, Smith, for the first time, discovered evidence of fraud and inequitable conduct practiced by Hughes in the *second* set of affidavits filed by Hughes with the Patent Office Examiner. Thereafter, Smith again moved to dissolve the preliminary injunction reciting this new and substantially different evidence, which, without question, has never been considered by any court. In September of 1984, District Judge Hupp (as successor to Judge Lucas) refused to dissolve the preliminary injunction giving his reasons from the bench and entering his decision as a minute order in the docket entries of the court. (A. 76-82). Like Judge Lucas, Judge Hupp reasoned that the validity and enforceability of the patent had been established for all purposes by the Ninth Circuit in *Hughes I* and that upon application of Rule 60(b)(2) to the prior interlocutory decision of the Ninth Circuit in *Hughes I*, Smith's new evidence of Hughes's fraud and inequitable conduct practiced by Hughes's *second* set of affidavits was not "newly discovered." Smith noticed Appeal No. 84-1767 from this second refusal to dissolve to the Federal Circuit. Although the two appeals were separately briefed, these two appeals were consolidated for purposes of oral argument and decision. (A. 83).

1985 Federal Circuit Decision.

The Federal Circuit affirmed the denial of Smith's motions to dissolve the preliminary injunction. It held that all issues with respect to the validity and enforceability of the '928 patent and the fact of infringement of it have been resolved in favor of Hughes. The only issues still open, in its view, are the extent of infringement, the amount of damages, and the scope of any injunctive relief. (A. 16; 759 F.2d at 1580).

In reaching this decision, the Federal Circuit held that the Ninth Circuit decision in *Hughes I* had, by necessary implication, decided the issue of fraud against Smith. (A. 6-11; 759 F.2d at 1576-1578). It rejected the argument that public policy requires that all manner of misconduct before the Patent Office should be fully considered whenever discovered during interlocutory proceedings, saying that the application of the doctrine of law of the case "cannot depend upon the nature of the issue that a party seeks to relitigate." (A. 11; 759 F.2d at 1578). Finally, it held that in determining whether the "substantially different" evidence exception to the law-of-the-case doctrine is applicable, the standard set out in Civil Rule 60(b)(2) for relief from a final judgment should be used to measure whether the new evidence is "substantially different." (A. 11-13; 759 F.2d at 1578-1579).

REASONS FOR GRANTING THE WRIT

At first blush, it is difficult to imagine a less likely candidate for certiorari than the present case. It is a patent case, and the availability since 1982 of unified appellate review of patent litigation in the Federal Circuit means that it should rarely be necessary for this Court to hear a patent matter. It involves the doctrine of law of the case, and while that doctrine is one of general applicability, it has been invoked by the courts below in this litigation in a highly individual set of circumstances.

Appearances, however, are often misleading. In truth, this case presents issues of great importance, both for the integrity of the patent system and for the fair and efficient administration of the courts. The decision of the Federal Circuit departs in major respects from what this Court has said. Review here is required to provide guidance for all of the lower federal courts in all kinds of litigation in the future.

This petition is directed solely to fundamental questions of proper federal procedure. Although the subject of the litigation is a United States patent on a sealing system for oil well drilling bits, no questions of technology or of substantive patent law are presented. Nevertheless, the fact that the issues arise in a patent context is not irrelevant, because the public interest when patents are in question raises considerations that are not present in purely private litigation.

The decision below, if it is allowed to stand, establishes finally the validity and enforceability of a key patent held by Hughes Tool Company. For infringement of that patent, Hughes is seeking damages from Smith of one billion two hundred million dollars ($1,200,000,000.00). In addition, on March 11, 1985, the District Court for the Northern District of Texas awarded Hughes $132,094,430.92 in damages and interest against Dresser Industries for infringement of the same patent. If the patent is valid and enforceable, it is hardly this Court's concern that Hughes is in a position to do grave, if not indeed mortal,

injury to two of its three competitors in drilling bits. That would be the price they must pay for infringing the patent. But if the patent is not valid, to allow such results to stand would be a monstrous injustice.

Smith seriously contends that the patent is invalid and cannot be enforced. Smith believes that Hughes obtained the patent by practicing fraud on the Patent Office. Smith contends that the two sets of affidavits submitted to the Patent Office by Hughes had material misstatements and omissions and that no patent would have issued had the Patent Office known all of the facts that have now come to light.

Smith may be right or wrong in thinking that it can prove all of this. That is not now the issue. The issue now is whether Smith should be given an opportunity to try. The stark fact is that the patent has now been held to be valid and enforceable although no court has ever considered on its merits the evidence of fraud and announced that Smith is wrong and that Hughes was not guilty of fraud. If the decision below stands, Hughes will luxuriate in the benefits of a lucrative monopoly without any judicial resolution on the merits of the serious contention that it obtained its patent by fraud.

The only consideration of any kind of the claim of fraud was by Judge Firth in the initial proceeding in the District Court. He found as a fact that Hughes "did not, in some material respects, meet the applicant's uncompromising duty to make a full and fair disclosure of all facts which may affect the patentability of his invention" (A. 25), but, having found the patent invalid on three other grounds, he did not make a conclusion on the claim of fraud on the Patent Office. The Ninth Circuit, reversing in *Hughes I* (A. 32-40; 664 F.2d 1373), never mentioned the claim of fraud or the findings of less than full and fair disclosure. Its three-page opinion discusses only the three grounds on which Judge Firth had held the patent invalid.

Since that time all courts have steadfastly refused to consider either the evidence about the first set of affidavits, which had been the basis of Judge Firth's findings, or evidence that has only recently come to light and that shows that the second set of affidavits also contained material misstatements and omissions. The two judges in the District Court in 1984 and the Federal Circuit in the decision of which review is sought have held that the Ninth Circuit decided the issue of fraud against Smith in *Hughes I* and that the doctrine of law of the case bars any new examination of the issue.

In so holding, the courts below have misread the Ninth Circuit's decision and misunderstood the law-of-the-case doctrine. The first would not in itself justify review here. The second does, because law of the case is a doctrine that applies in every kind of litigation and it is important that it be properly understood and applied. In a time of intense time and docket pressure, the doctrine is a useful protection for "both court and parties against the burdens of repeated reargument by indefatigable diehards." 18 Wright, Miller & Cooper, *Federal Practice and Procedure: Jurisdiction* § 4478, at 790 (1981). Nevertheless, it is a rule of practice, not an inexorable command, and cannot be used to deprive a party of a fair day in court.

The court below treated law of the case as if it were essentially indistinguishable from res judicata (or claim and issue preclusion in the new terminology). The rules of res judicata are applicable only when a final judgment is rendered, *Restatement Second of Judgments* § 13 (1982), and there is a very strong interest in preserving the finality of judgments. For that reason, res judicata is not a mere rule of practice or procedure. It is "a complex body of law" that does not yield to considerations of fairness or of "simple justice," since it "serves vital public interests beyond any individual judge's ad hoc determination of the equities in a particular case." *Federated Department Stores, Inc.* v. *Moitie*, 452 U.S. 394, 401 (1981).

Law of the case is wholly different. It does not involve preclusion by final judgment, but instead regulates judicial affairs before final judgment. 18 Wright, Miller & Cooper, *supra*, § 4478, at 788. Because the element of finality is not present, quite different rules apply to the law-of-the-case doctrine than to res judicata.

> As most commonly defined, the doctrine posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case . . Law of the case directs a court's discretion, it does not limit the tribunal's power.

Arizona v. *California*, 460 U.S. 605, 618 (1983). The court below erred in three different respects in its understanding and application of the discretionary doctrine of law of the case.

First, the court below improperly held that the Ninth Circuit's decision was law of the case on fraud although the Ninth Circuit had not decided the fraud issue. "The doctrine of law of the case comes into play only with respect to issues previously determined." *Quern* v. *Jordan*, 440 U.S. 332, 347 n.18 (1979). Res judicata applies to elements of a claim even though they were not presented or decided in the prior action. Law of the case is limited to issues that were actually decided, either expressly or by necessary implication. *Schultz* v. *Onan Corp.*, 737 F.2d 339, 345 (3rd Cir. 1984); *Maggard* v. *O'Connell*, 703 F.2d 1284, 1289 (D.C. Cir. 1983); *Morrow* v. *Dillard*, 580 F.2d 1284, 1290 (5th Cir. 1978). The doctrine "does not encompass issues presented for decision but left unanswered by the appellate court." *Pegues* v. *Morehouse Parish School Board*, 706 F.2d 735, 738 (5th Cir. 1983), and "a careful reading" of a court's opinion is necessary to determine what issues were actually decided. *Gertz* v. *Robert Welch, Inc.*, 680 F.2d 527, 533 (7th Cir. 1982).

The Federal Circuit paid lip service to that limitation (A. 8-9; 759 F.2d at 1577), but did not apply it. It is undisputed that the

Ninth Circuit did not decide anything about fraud "expressly." It is neither discussed nor alluded to at any point in the opinion. The court below thought that the Ninth Circuit had decided the fraud issue against Smith "by necessary implication." (A. 8; 759 F.2d at 1577). This disregards clear pronouncements of this Court.

If an appellate court affirms the decision of a lower court, it necessarily rejects all of the grounds appellant has presented for reversal. But if the appellate court reverses, it need not pass on every issue in the case.

> When a case is presented to an appellate court it is not obliged to consider and decide all the questions then suggested or which may be supposed likely to arise in the further progress of the litigation. If it finds that in one respect an error has been committed so substantial as to require a reversal of the judgment, it may order a reversal without entering into any inquiry or determination of other questions. While undoubtedly an affirmance of a judgment is to be considered an adjudication by the appellate court that none of the claims of error are well founded, — even though all are not specifically referred to in the opinion, — yet no such conclusion follows in case of a reversal. It is impossible to foretell what shape the second trial may take or what questions may then be presented. Hence the rule is that a judgment of reversal is not necessarily an adjudication by the appellate court of any other than the question in terms discussed and decided.

Mutual Life Insurance Co. v. *Hill*, 193 U.S. 551, 553-554 (1904). *Accord: Chas. Wolff Packing Co.* v. *Court of Industrial Relations of Kansas*, 267 U.S. 552, 562 (1925). The Federal Circuit has said that the Ninth Circuit "necessarily must have" done (A. 8; 759 F.2d at 1577) what this Court says "is not necessarily" done in a reversal.

Of course the Ninth Circuit, had it chosen to do so, could have decided the issue. That court could have said that it had also considered Smith's challenge to the patent on the ground of

fraud, even though the District Court had not reached that ground, and that it found that challenge also to be without merit. If the Ninth Circuit had done that, then the issue would have been actually decided and the prerequisite to application of law of the case would have been satisfied. But the Ninth Circuit was silent on the subject.

It is equally clear that, as this Court pointed out in the *Mutual Life* case, the Ninth Circuit could have reversed without deciding the fraud issue. It could have said that Smith had also challenged the patent on the ground of fraud, but that since the District Court had not made a conclusion on that issue, the appellate court would leave that to be determined on remand. If the Ninth Circuit had done that, there could be no basis for invoking law of the case.

In concluding that an opinion that was silent about fraud had necessarily decided the issue against Smith, the court below thought it important that one sentence in Smith's brief had suggested that the Ninth Circuit should find the patent invalid because of fraud. (A. 8; 759 F.2d at 1576-1577). In fact, this adds nothing. "Certainly omissions do not constitute a part of a decision and become the law of the case, nor does a contention of counsel not responded to." *Hartford Life Insurance Co.* v. *Blincoe*, 255 U.S. 129, 136 (1921). The passing reference to fraud in the brief is a classic example of "a contention of counsel not responded to."

The Federal Circuit relied also on the fact that at the end of its brief opinion, limited wholly to the three grounds on which the District Court had found the patent invalid, the Ninth Circuit began its two-sentence Conclusion by saying: "The judgment is reversed, and Patents '928 and '195 are declared to be valid." (A. 40; 664 F.2d at 1377). The difficulty with reading anything into this is that, as the court below has recently said, "a court never 'declares' a patent valid." *Envirotech Corp.* v. *Al George, Inc.*, 730 F.2d 753, 762 (Fed. Cir. 1984). The Federal

Circuit thought it was able to overcome even that difficulty. "Although the language the Ninth Circuit used may have been infelicitous, its meaning was clear." (A. 9; 759 F.2d at 1577). But just as the Ninth Circuit itself holds that its dicta in an earlier opinion is not part of the law of the case, *Russell* v. *C.I.R.*, 678 F.2d 782, 785 (9th Cir. 1982), so too its "infelicitous language" cannot be law of the case for what it did not say. There are three possible explanations for that sentence in the Ninth Circuit's opinion: (1) the Ninth Circuit meant exactly what it said and was unaware that, as a matter of law, it cannot declare a patent valid; (2) the Ninth Circuit used a very odd form of words to say that the trial court was in error in finding the patent invalid on the three grounds on which that court had relied and that the Ninth Circuit had discussed in its opinion; or (3) the Ninth Circuit used an even odder form of words to say that not only was Judge Firth in error, for reasons it had discussed, in finding the patent invalid on three grounds, but it had also considered and rejected a fourth ground of challenge to the patent on which Judge Firth had made no conclusion and about which the appellate court had said not a word. Perhaps a soothsayer or a psychiatrist could deduce that the third of these is what the Ninth Circuit "necessarily" meant, but law of the case cannot rest on so shaky a foundation.

The two other respects in which the Federal Circuit erred in its understanding and application of the law-of-the-case doctrine can be stated much more briefly. Even if the Ninth Circuit's decision was law of the case on the ground of fraud, only the first set of affidavits presented to the Patent Office were in issue in 1982 when the Ninth Circuit made its decision. The evidence that the second set of affidavits also were fraudulent did not come to light until 1984, when depositions were taken in an action initiated by Hughes against Smith for contempt and infringement. The rule of law of the case does not apply if "the evidence on a subsequent trial was substantially different."

Perkin-Elmer Corp. v. *Computervision Corp.*, 732 F.2d 888, 900 (Fed. Cir. 1984); *Johnson* v. *Bernard Insurance Agency, Inc.*, 532 F.2d 1382, 1384 (D.C. Cir. 1976); *White* v. *Murtha*, 377 F.2d 428, 432 (5th Cir. 1967).

The evidence about the second set of affidavits was "substantially different" from the evidence about the first set of affidavits. But the Federal Circuit held that the standard for this exception to law of the case is found in Civil Rule 60(b)(2), which allows relief from a final judgment for "newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b)." The law-of-the-case doctrine, the Federal Circuit said, "serves the same objective as the 'newly discovered' requirement in Rule 60(b)(2)." (A. 13; 759 F.2d at 1579). But Rule 60(b) was amended in 1948 to insert the word "final," and this was done, the Advisory Committee Note to the amendment says, to emphasize that "interlocutory judgments are not brought within the restrictions of the rule, but rather they are left subject to the complete power of the court rendering them to afford such relief from them as justice requires." The difference between res judicata and law of the case is the difference between a final judgment and interlocutory proceedings. Importing Rule 60(b)(2) into law of the case hopelessly blurs that distinction and ignores the compelling considerations of policy that require that great importance be attached to the element of finality.

Finally, the Federal Circuit explicitly rejected the argument that the public interest in protecting the integrity of the patent-issuing process and preventing the enforcement of patents secured by fraud should be taken into account, saying that the application of law of the case "should not and cannot depend upon the nature of the issue that a party seeks to relitigate." (A. 11; 759 F.2d at 1578). In doing so, it ignored what this Court has said about law of the case and about the public interest in patents.

The statement by the Federal Circuit just quoted shows that it has not heeded the teaching of this Court that law of the case, unlike res judicata, is a doctrine of discretion and not a limit on the court's power. *Arizona* v. *California*, 460 U.S. 605, 618 (1983). It has also not heeded this Court's strongly-held doctrine that "[t]he far-reaching social and economic consequences of a patent . . . give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope." *Precision Instrument Manufacturing Co.* v. *Automotive Maintenance Machinery Co.*, 324 U.S. 806, 815-816 (1945), quoted with approval in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313, 343 (1971).

This Court has held that even the rigid concepts of res judicata, which do not give way to considerations of "simple justice," yield to the public interest in maintaining the patent system free from misconduct. In *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944), it was argued that res judicata should operate to bar the defense of patent misuse, because it was an issue that might have been, but was not, raised in an earlier suit. This Court declined to apply res judicata, saying that if it did so, "the Court would be placing its imprimatur on a scheme which involves a misuse of the patent privilege and a violation of the anti-trust laws." 320 U.S. at 670. A fortiori, the more flexible doctrine of law of the case must also give way.

This case is not likely to go unnoticed. The vast sums of money at stake and the consequences of upholding a patent monopoly in an industry of national importance guarantee that it will not suffer the usual obscurity of decisions about law of the case, and instead it will be widely read. The decision below gives all the wrong messages, and if allowed to stand, will make law of the case far more rigid than it has been in the past. This, in turn,

will limit the flexibility courts should have up until the time that a final judgment has been entered.

The message of the decision below is that law of the case is not confined to those issues actually decided, but can extend to any issue in the case that an imaginative court can suppose to have been decided, even though the earlier decision was silent on that issue. The decision below teaches, wrongly, that Rule 60(b)(2) is the standard for when substantially different evidence justifies departure from law of the case. Finally, the decision below will be read as meaning that law of the case is an inexorable command, not a guide to discretion, and that it must be applied in one way in all kinds of cases, regardless of considerations of the public interest.

These are grievously wrong and dangerous messages. This Court should review the case to make clear when law of the case does or does not apply.

CONCLUSION

For the foregoing reasons, the Petition For a Writ of Certiorari should be granted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that three (3) true and accurate copies of the present Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit have been transmitted to opposing counsel by first class mail on this 21st day of June, 1985.

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JEFFREY W. TAYON